

Message Text

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ACTION XMB-04

INFO OCT-01 EA-07 ISO-00 EB-07 CIAE-00 INR-07 NSAE-00

TRSE-00 COME-00 /026 W

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R 230543Z NOV 76

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 9369

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DEPT PASS EXIMBANK

EO 11652: NA

TAGS: EFIN, AS

SUBJ: OBLIGOR FOR QANTAS AIRCRAFT PURCHASES

REF: A. STATE 284011, B. SIMPSON-WILSON LETTER OF NOVEMBER

15, 1976 (NOTAL)

1. EMBOFF DISCUSSED PROPOSED LOAN WITH A.P. BAILEY, LOANS AND DEBT MANAGEMENT BRANCH, REVENUE LOANS AND INVESTMENT DIVISION, THE TREASURY. BAILEY TOLD REPORTING OFFICER THAT HIS BOSS A.R.G. PROWSE, FIRST ASSISTANT SECRETARY, REVENUE LOANS AND INVESTMENT DIVISION, HAD BEEN IN WASHINGTON LAST WEEK AND HAD EXPLAINED NEW GOA LOAN POLICY TO EXIMBANK EXECUTIVE VICE PRESIDENT, DAVID O. BEIM, AND TO RUSSEL A. RPICE, ALOS OF EXIMBANK.

2. BASIC REASONS FOR CHANGE IN POLICY ARE AS FOLLOWS: (A) BAILEY FRANKLY STATED THAT MAIN PURPOSE WAS LARGELY COSMETIC IN THAT TRANSFER OF LOAN TO QANTAS WAS BEING UNDERTAKEN IN NO SMALL PART AS A MEANS OF RESTRAINING APPARENT GOVERNMENT DEFICIT, (B) THERE IS A GROWING FEELING IN GOA THAT GOVERNMENT-OWNED AIRLINES, AS AUTONOMOUS BODIES, SHOULD INCREASINGLY "STAND ON THEIR OWN FEET" AND AS A CONSEQUENCE SHOULD UNDERTAKE OWN BORROWING WITHCOMMONWEALTH AS GUARANTOR.

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3. BAILEY SAID THAT COMMONWEALTH WILL INDEED ACT AS GUARANTOR IN EVENT LOAN AUTHORIZED. HE TOLD EMBOFF THAT BILL AUTHORIZING SUCH A PROCEDURE NOW MOVING THROUGH PARLIAMENT. WE HAVE LEARNED THAT BILL PASSED HOUSE OF REPRESENTATIVES ON NOVEMBER 16 AND IS TENTATIVELY SCHEDULED FOR DEBATE IN SENATE ON DECEMBER 3. PARLIAMENTARY OFFICERS HAVE ASSURED REPORTING OFFICER THAT BILL WILL IN ANY EVENT BE PASSED BY FULL PARLIAMENT BEFORE ITS TENTATIVELY SCHEDULED RISE ON THURSDAY, DECEMBER 9, EVEN IF SENATE FORCED TO SIT FOR ONE OR TWO DAYS DURING WEEK OF DECEMBER 13.

4. BAILEY TOLD REPORTING OFFICER THAT PROWSE HAD BEEN LED TO UNDERSTAND WHILE IN WASHINGTON THAT CURRENT EXIMBANK POLICY WAS NO LONGER TO LEND FOR PURCHASES OF BOEING 747-200 BY DEVELOPED COUNTRIES, ALTHOUGH IT WOULD CONTINUE TO LEND FOR BOEING 727-200 IN VIEW OF POTENTIAL COMPETITION FROM AIRBUS. AS REFTTEL IMPLIES CONTINUED EXIMBANK INTEREST IN PROPOSED 747-200 LOAN TO AUSTRALIA, EXIMBANK IS REQUESTED TO CLARIFY THIS POINT FOR BENEFIT OF EMBASSY AND AUSTRALIAN TREASURY.
HARGROVE

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